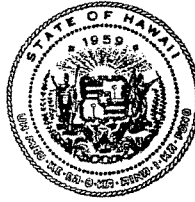


LINDA LINGLE  
GOVERNOR OF HAWAII



STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

LAURA I  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI  
FIRST DEPUTY

KEN C. KAWAHARA  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

May 15, 2008

Mr. Harry A. Saunders, President  
Castle and Cooke Resorts, LLC  
P.O. Box 630310  
Lanai City, Hawaii 96763

BOR-E 0428.08

Re: Boating Lease No. B-00-1  
Manele Small Boat Harbor, Lanai  
TMK No. (2)4-9-17:06

Dear Mr. Saunders:

Thank you for your letter dated March 25, 2008, which we take is a response to the draft letter we sent to your office in or about March 3, 2008, seeking your review and comments, mainly about the amount of time needed to complete certain improvements at the harbor. We do acknowledge and appreciate your willingness to work towards a constructive solution and effective partnership in this important facility.

As to your bullet points, we respond as follows:

- We believe your suggestion of completing the improvements within 3 years after obtaining all discretionary permits is too open-ended. We need to have a date certain, especially since someone looking from the outside may question why the improvements were never completed within the 1 year time period provided for in paragraph 41 of the Lease. As such, we again invite you to discuss the timing issue with your consultants and come up with a reasonable period for the completion of the improvements. Otherwise, we have inserted a drop-dead date of 6 years--which we think is more than reasonable to complete the improvements.<sup>1</sup>

<sup>1</sup> We came up with 6 years since your letter indicated that CCR could complete construction within 3 years of obtaining all entitlements. We believe CCR ought to clearly obtain all entitlements and permits at least in 3 years, if not earlier.

- We are agreeable to limiting the repairs to the new comfort station to nonstructural repairs not to exceed \$1,000 per repair, with an annual limit of \$5,000. And we agree that CCR will not be obligated to repair damages resulting from the State's original design or construction of the new comfort station, or the willful misconduct of others. We believe CCR ought to repair damages that may result from mere negligence or abuse, especially since we anticipate one of the main users will likely be guests or patrons of CCR's Manele Bay Hotel.

As such, we summarize as follows:

We will allow Castle & Cooke Resorts (CCR) additional time to complete the improvements (i.e., the 24 slips) as long as the improvements required under the Boating Lease are constructed no later than December 31, 2014, and CCR agrees to take on the repair and maintenance of certain improvements made by the State at the Manele Small Boat Harbor as listed below. We do understand the entitlement process and believe that six (6) years is more than reasonably sufficient to obtain the necessary permits, design and construct the required improvements.

The table below summarizes CCR and the State's repair and maintenance obligations as indicated in your March 25, 2008 letter.

Repair and Maintenance of the New Improvements:

Newly Constructed Improvements at Manele Small Boat Harbor	CCR Letter 3/25/08
New comfort station, maintenance, custodial/janitorial (i.e., cleaning, the stocking of adequate supplies, such as paper towels, bath tissue, etc. In addition, nonstructural repairs up to \$1,000 maximum per individual repair, with annual limit not to exceed \$5,000 for repairs. See Exhibit A. CCR shall not be obligated to repair damages resulting from the State's original design or construction of the new comfort station, nor shall CCR be obligated to repair damages resulting from the willful misconduct of others (such as an act of vandalism).	CCR
New comfort station, repair costs that exceed the \$1,000 maximum per individual repair; costs paid for by the State, repairs performed by CCR.	State
Ferry Boarding Shelter. See Exhibit A.	CCR
Road "A", "B". See Exhibit A.	CCR
Road "F". See Exhibit A.	CCR
Ferry parking area	State
Accessible and bus parking in Non-exclusive easement. See Exhibit A.	CCR
Ferry Boarding/station shelter	CCR
Water line "A" and "C", including fire hydrants, valves,	CCR

laterals and appurtenances. See Exhibits C & D.	
All other water lines, including fire hydrants, valves, laterals and appurtenances	State
Sewer line "B", including sewer manholes and appurtenance. See Exhibit B.	CCR
Sewer pump station, sewer lines from the sewer pump station to the Hulupoe Pump Station, including sewer manholes and appurtenances	State
Electrical conduits and lines, including lighting and outlets within the Premises and Easement area, from the new Administration building to the mini-park. See Exhibit E.	CCR
Telephone conduits and lines from the new Administration building to the mini-park.	CCR
Mini-park. See Exhibit F.	CCR

In addition, CCR will be required to install sub-meters and pay for electricity, water and sewer charges based on usage within the Premises, Non-exclusive easement area and areas maintained by CCR, including the new comfort station.

Moreover, below are items we understood had been previously agreed to by the parties:<sup>2</sup>

1. CCR will be responsible to construct, operate and maintain previously proposed CCR Improvements, including but not limited to:
  - Fuel dock, dispensers, fuel lines and related improvements in the Premises;
  - Docks/piers, utilities and related improvements in the Premises;
  - Fuel tanks, fuel lines and appurtenances;
  - Landscaping along Road "A" and in the Non-exclusive easement.
2. In addition, CCR will be responsible to construct the following additional improvements in accordance with the subject Lease:
  - 15' X 50' pad for boat washdown or equivalent paved area;
  - 100' X 2' walkable surface on the rock groin or equivalent paved area.

Please note that we support in concept CCR's proposal to install, maintain and operate fuel facilities at Manele Small Boat Harbor. However, because the proposed fuel tanks are located outside of the Non-exclusive easement area, a separate lease agreement will be needed.

Please be aware that at least the Land Board will need to ratify the terms of our agreement as stated above; and we may need other approvals as required by law.<sup>3</sup>

<sup>2</sup> See, CCR's letter dated January 3, 2008, and the State's letter dated October 18, 2007.

*5* *At*  
*Unless CCR can sub meter the new comfort station separately and in that case the State will pay the electrical & water for the new comfort station*

Mr. Harry A. Saunders  
BOR-E 0428.08  
May 15, 2008  
Page 4 of 4

We thank you for your cooperation on this important matter and shared vision to make the Manele Small Boat Harbor into an attractive and hospitable entry point for the island of Lanai. Should you have any questions or comments, please do not hesitate to call me.

Sincerely,



Laura H. Thielen,  
Chairperson

Agreed And Accepted:

Castle and Cooke Resorts, LLC

By: 

Harry A. Saunders, Its President



Timothy Hill Its Executive Vice President

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<sup>3</sup> We are still evaluating whether the agreed upon terms and conditions contained in this letter would require approvals under HRS 171-53.







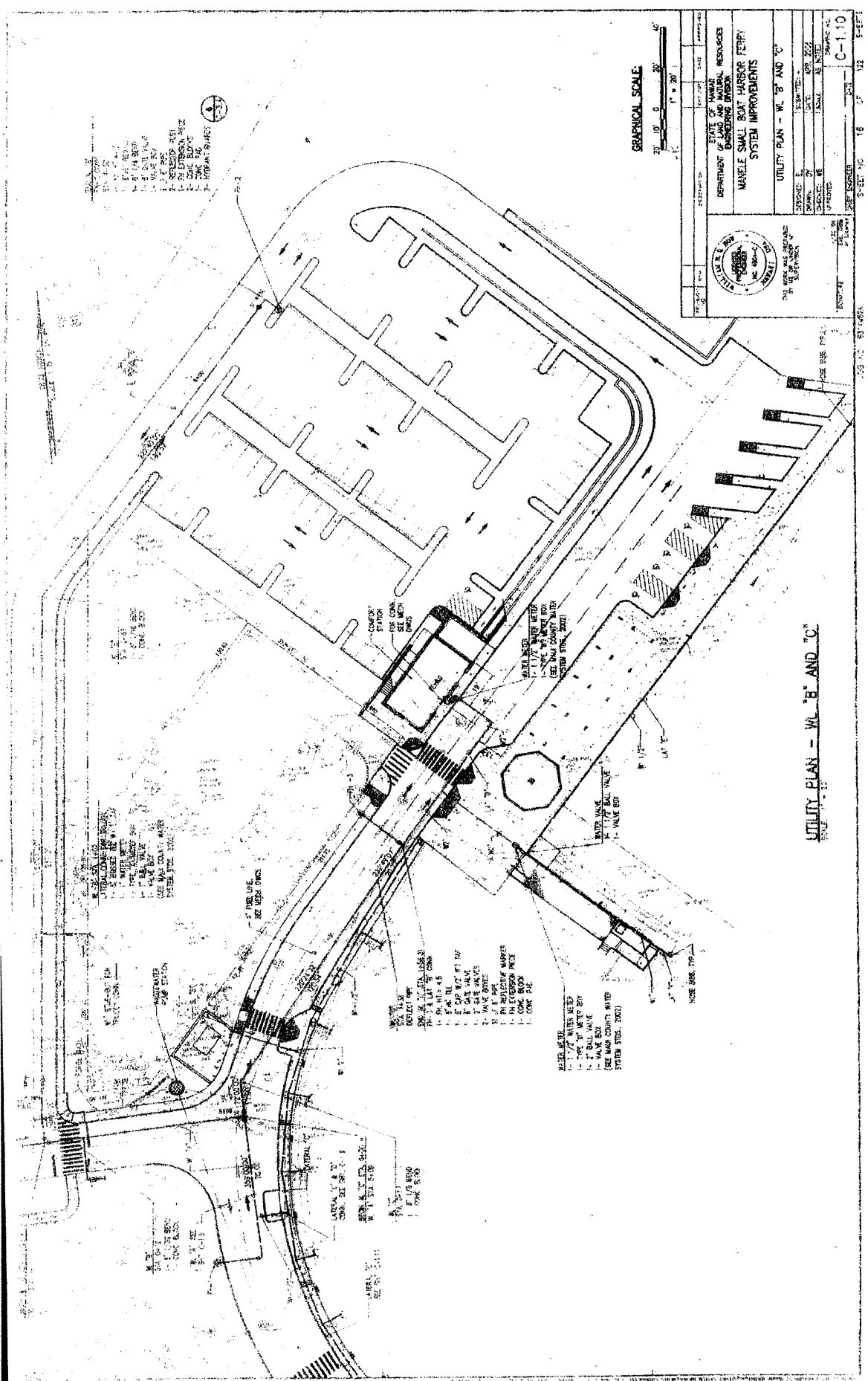


EXHIBIT D: Utility Plan - Wharves B and C, indicating extent of Wharves B and C and color of Wharves B (green shading).

EXHIBIT D



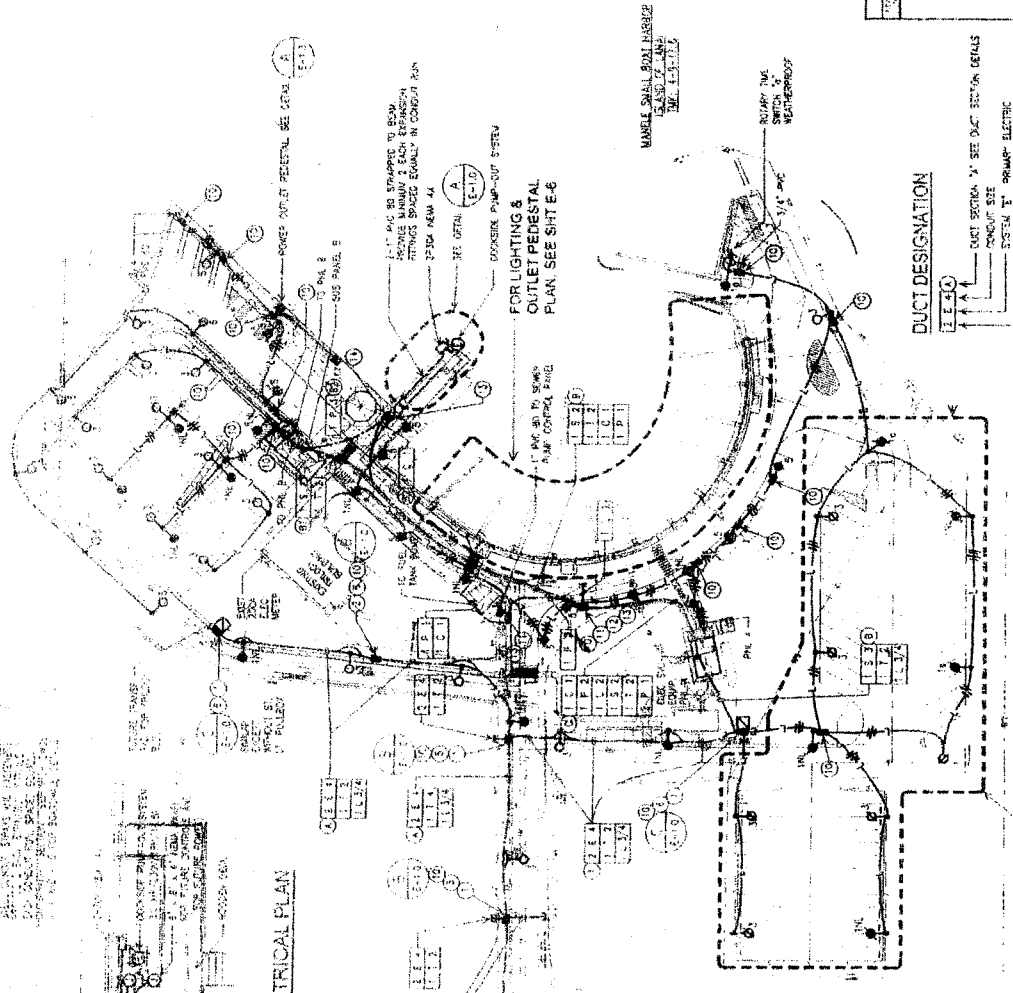
# **WATER TREATMENT PLANT**

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MAINE SMALL BOAT HARBOR IMPROVEMENTS	
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DRAWN BY	DATE
CHECKED BY	DATE
APPROVED BY	DATE
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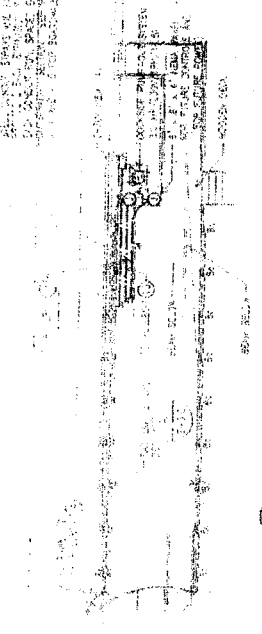


## **SITE ELECTRICAL PLAN**

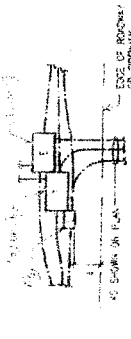
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ADDITIVE BID ITEM NO. 1

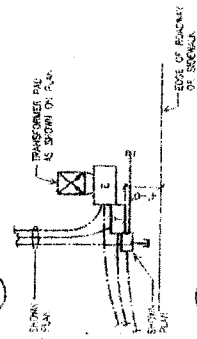
## **A DOCKSIDE PUMP-OUT ELECTRICAL PLAN**



## **B PULLBOX GROUP PLAN**



## **C PULLBOX GROUP PLAN**



1. 1" DIA. 10' LONG

EXHIBIT E

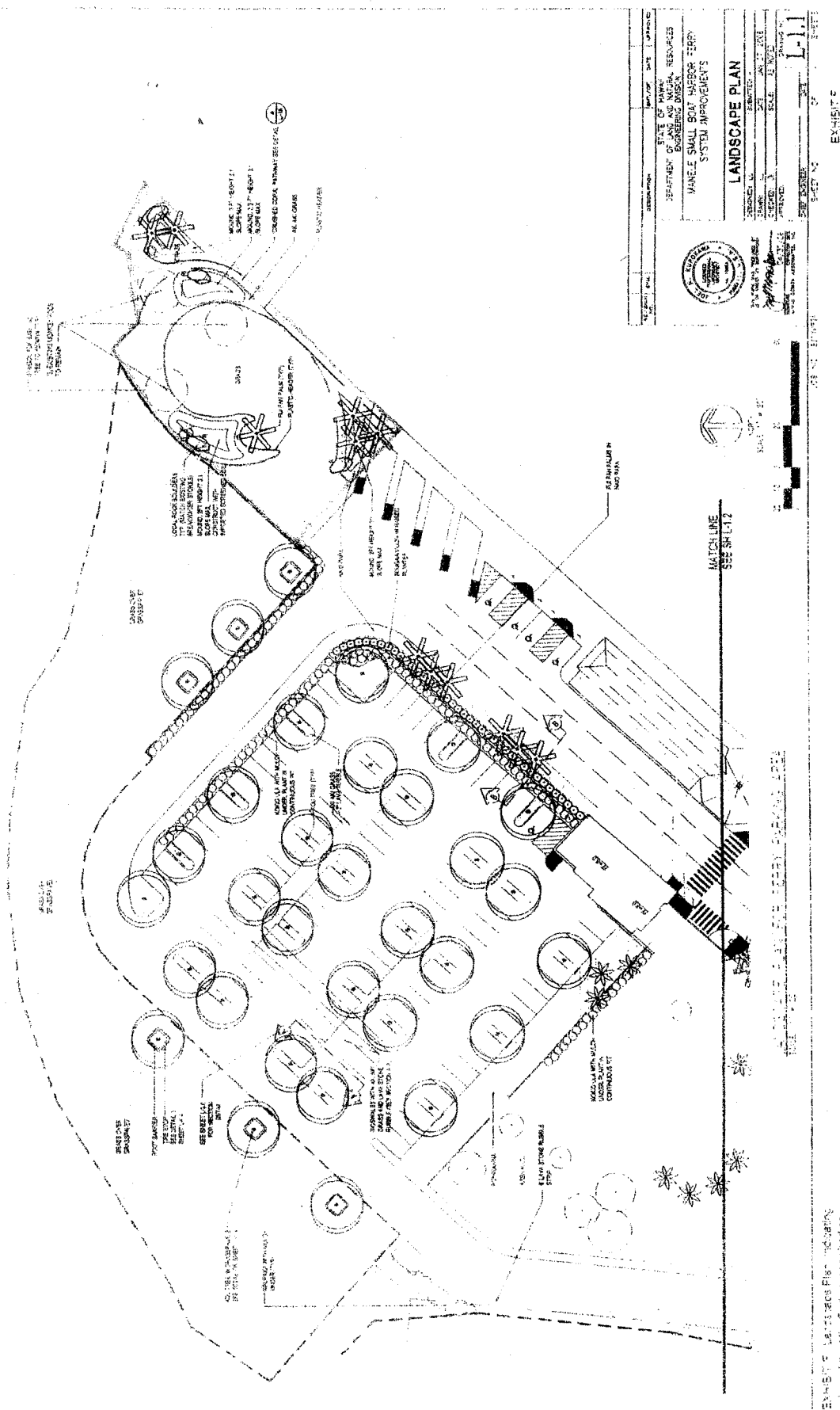


EXHIBIT F